

Patricia M. French
Senior Attorney



300 Friberg Parkway
Westborough, Massachusetts 01581
(508) 836-7394
(508) 836-7039 (facsimile)
pfrench@nisource.com

September 30, 2005

BY E-FILE AND OVERNIGHT DELIVERY

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station
Boston, MA 02110

Re: Bay State Gas Company, D.T.E. 05-48

Dear Ms. Cottrell:

Enclosed for filing, on behalf of Bay State Gas Company ("Bay State"), please find the response of Bay State to the Record Request posed by the Attorney General during the September 27, 2005 Hearing in this docket. Bay State's response contains confidential information regarding the specific terms of the TransCanada agreement. Bay State filed and the Department granted a Motion for Protective Treatment over agreement terms on September 27, 2005; therefore, this response is being filed under that Protective Order. A copy of Bay State's Motion for Protective Treatment is attached hereto for your convenience. Only one copy of the Confidential response is being filed with the Hearing Officer.

Please do not hesitate to telephone me with any questions whatsoever.

Very truly yours,

Patricia M. French

cc: John J. Geary, Hearing Officer
Andreas Thanos, Assistant Director, Gas Division, DTE
Rebecca Hanson, Analyst, Gas Division, DTE
Elizabeth Jackson, Analyst, Gas Division, DTE
Joseph Rogers, Assistant Attorney General (4 copies)
Service List

**COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY**

Bay State Gas Company)
_____))
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D.T.E. 05-__

**MOTION OF BAY STATE GAS COMPANY
FOR PROTECTIVE TREATMENT**

Now comes Bay State Gas Company ("Bay State") and respectfully requests that the Department of Telecommunications and Energy (the "Department") grant it protection from public disclosure of certain confidential, competitively sensitive and proprietary information submitted in this proceeding in accordance with G.L. c. 25, § 5D.

I. BACKGROUND

On July 13, 2005, Bay State filed with the Department a Petition for Approval of Firm Transportation and Related Agreements with TransCanada Pipelines Limited ("TransCanada") and Union Gas Limited (the "Petition"). Certain pages of the pre-filed testimony of Francisco Chico DaFonte, Bay State's Director of Energy Supply Services, marked as Exh. BSG-1, and a certain supporting exhibit to Exh. BSG-1 (specifically, Exh. FCD-5 (Confidential)), disclose confidential information related to the allocation of costs between TransCanada and Bay State in the event of a cancellation of the TransCanada Firm Transportation Precedent Agreements. The terms of the agreement between Bay State and TransCanada require that this information be kept confidential and that Bay State seek protective treatment of this information prior to disclosing it to its regulators. Accordingly, Bay State hereby requests that Exhibits FCD-5 (Confidential) of Exh. BSG-1 and references to that

exhibit appearing on pages 15 and 16 of Exh. BSG-1 be protected from public disclosure. Bay State has filed a redacted version of Mr. DaFonte's testimony deleting references to confidential and proprietary information for the public record. Bay State has also filed a confidential copy in a sealed envelope marked "Confidential." Redacted copies of Exh. FCD-5 (Confidential) were not filed because the agreement between TransCanada and Bay State require that Bay State seek protective treatment of the entire exhibit.

In addition, in order to support the inclusion of these agreements as consistent with its Supply Plan, Bay State provides its SENDOUT® analysis. Bay State considers the information in its SENDOUT® analysis, which contains the negotiated prices for its gas supply portfolio (in order to determine the best cost alternative from a range of alternative scenarios), to be a confidential business or trade secret. The Department has granted Bay State protection from public disclosure for this material on many previous, similar occasions where Bay State has produced its SENDOUT® analysis for the purpose of demonstrating the reasonableness of its capacity and supply decisions.

II. LEGAL STANDARD

Pursuant to G.L. c. 25, § 5D, the Department is authorized to protect from public disclosure "trade secrets, confidential, competitively sensitive or other proprietary information provided in the course of proceedings." The Department has developed a three-part standard for assessing requests for protective treatment submitted pursuant to c. 25, § 5D. First, the information for which protection from disclosure is sought must constitute "trade secrets, [or] confidential, competitively sensitive or other proprietary information." Second, the party seeking protection from disclosure must overcome the

statutory presumption that the public is benefited by disclosure of that information by “proving” the need for non-disclosure. Finally, the Department will protect only so much of the information as is necessary to meet the established need. See, e.g., Western Massachusetts Electric Company, D.T.E. 99-56 (1999); Dispatch Communications of New England d/b/a Nextel Communications, Inc., D.P.U. 95-59-B/95-80/95-112/96-13, September 2, 1997 Procedural Order. Appropriate considerations with respect to the public interest issue include an assessment of the interests at stake, the likely harm that would result from public disclosure of information, and the public policy implications of such disclosure. See, e.g., Berkshire Gas Company, D.P.U. 93-187/188/189/190 (1994); Boston Gas Company, D.P.U. 92-259 (1993), Essex County Gas Company, D.P.U. 96-105 (1996).

III. THE MATERIALS OVER WHICH BAY STATE SEEKS PROTECTION ARE ENTITLED TO CONFIDENTIALITY

A. Cost Sharing Agreement with TransCanada

Bay State seeks protection from public disclosure certain cost allocation agreements with TransCanada that are confidential, commercially sensitive and proprietary for a number of reasons. First, the contract terms require that the contracts be kept confidential. Therefore, public disclosure would violate the express terms of the agreements. Second, the financial terms of these negotiated agreements must remain confidential to preserve Bay State's leverage in future negotiations with other interstate pipeline carriers. Making the final negotiated agreement public would undermine Bay State's efforts to negotiate and effectuate firm transportation agreements with other pipelines in a manner most advantageous to Bay State's ratepayers. Third, public disclosure of the terms of the agreement would be commercially harmful to Bay State and

its customers since other pipeline carriers could use such information as leverage to seek similar or better terms. If Bay State is able to negotiate less favorable agreements due to public disclosure, ratepayers will bear the unnecessary burden of the increased cost resulting from such information being in the public domain.

Accordingly, for all these reasons, there is sufficient basis for the Department to protect the agreement terms from public disclosure in order to preserve Bay State's future negotiating leverage with interstate pipeline carriers regarding allocation of costs in the event of an early termination of a firm transportation precedent agreement.

B. SENDOUT® Model Results

Bay State's SENDOUT® Model evaluates resource options on a total portfolio basis. Bay State Gas Co., D.T.E. 98-86 at 22, 30. As the Department has determined previously, Bay State's use of the SENDOUT® Model necessarily includes confidential and competitively sensitive natural gas commodity pricing information. In particular, the SENDOUT® model uses the commodity and demand costs of gas supplies procured in the competitive market to evaluate alternatives. Because this pricing information constitutes confidential and competitively sensitive business information, and cannot be extracted from Exh. FCD-10 (Confidential), Exh. FCD-11 (Confidential) and Exh. FCD-12 (Confidential). Accordingly, Bay State seeks protection for Exhs. FCD-10 (Confidential), FCD-11 (Confidential), and FCD-12 (Confidential) consistent with the protection commonly granted to semi-annual cost of gas adjustment filings. Disclosure of Bay State's SENDOUT® analysis and commodity pricing information may jeopardize Bay State's current and future negotiations to obtain the lowest pricing for its gas

supplies. Protection for this information is appropriate pursuant to Chapter 25, section 5D of the General Laws of Massachusetts.

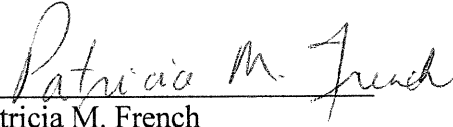
IV. CONCLUSION

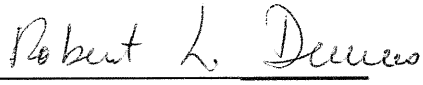
Exh. FCD-5 (Confidential) agreed to by Bay State, and Exh. FCD-10 (Confidential), Exh. FCD-11 (Confidential), Exh. FCD-12 (Confidential), which were prepared by Bay State to support this filing, are confidential, commercially sensitive and proprietary. Disclosure on the public record would violate expressly negotiated terms and could affect Bay State's future bargaining position to the detriment of its customers.

WHEREFORE, Bay State Gas Company respectfully requests that the Department of Telecommunications and Energy grant its Motion for Protective Treatment as stated herein.

Respectfully submitted,

BAY STATE GAS COMPANY


Patricia M. French
NiSOURCE CORPORATE SERVICES
300 Friberg Parkway
Westborough, MA 01581
Tel (508) 836-7394
Fax (508) 836-7039


Robert L. Dewees, Jr.
NIXON PEABODY LLP
100 Summer Street
Boston, MA 02110
Tel (617) 345-1316
Fax (866) 947-1870

Its Attorneys

Dated: July 13, 2005

COMMONWEALTH OF MASSACHUSETTS
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY
TO THE RECORD REQUEST FROM THE ATTORNEY GENERAL
D.T.E. 05-48

Date: September 30, 2005

Witness Responsible: Francisco C. DaFonte

REDACTED RESPONSE

RR-AG-1: Please provide the financial liability estimate for Bay State under the TransCanada contract as of November 1, 2005.

RESPONSE: This response is being filed under the Motion for Protective Treatment which was granted by the Department on September 27, 2005.